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SUBJECT: NEW TURKISH-SYRIAN TRADE DEAL SIGN OF BETTER THINGS TO COME?

REF: ADANA 160

1.(SBU) Summary: Per local trade contacts, one of whom accompanied PM Erdogan on his recent trip to Syria, SE Turkey's border trade with Syria is not expected to change significantly in the near-to-medium term, despite more optimistic public statements made to announce a new Turkish-Syrian free trade agreement. Local business people reiterated that Turkish exports to Syria have yet to match the promise raised with the past year's celebrated exchanges of trade delegations. End Summary.

Turkey-Syria overall trade patterns unlikely to change

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2.(SBU) According to discussions with business chambers and contacts in three (Adana, Gaziantep and Hatay) of the four provinces which trade most with Syria - Kilis being the fourth - annual border area trade with Syria is likely to end up at about USD 68 million in value in 2004. (reftel).

Optimistic talk, but limited real expectations

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3.(SBU) Although there was much fanfare and optimistic talk accompanying Erdogan's visit to Syria, business contacts predict little will change until Syria's economy can produce more disposable income and a financial system with which they can have confidence dealing. Until then, they predicted continuation of trade largely characterized by Turkish exports of: 1) food and processed food products; 2) textiles and yarns; 3) steel and building materials; 4) light machinery parts; and 5) light agricultural machinery. Turkish imports from Syria, they predict, will remain quite limited and focused on local border area commodity consumables.

4.(SBU) One business contact whose chamber members accompanied Erdogan noted an increased Syrian demand for electronics and electrical machinery, but predicted little impact on Turkish-Syrian trade because Turkey does not produce much of the desired electronics at Syrian-desired commodity price levels and "the Syrians don't have the money to pay for them anyway."

5.(SBU) Another local contact, who is a regional level edible oils manufacturer whose brands sold well in Syrian before the Syrian introduction of tariffs to protect its nascent domestic edible oils industry, hopes the free trade agreement will allow his brands to compete more successfully in the Syrian market. He also hopes to be able to ship his products to Middle Eastern markets at lower cost via Syria under the new trade regime.

Non-trade benefits for a SE Turkey city?

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6.(SBU) Reportedly, the long-rumored discussion of a Syrian consulate in southern Turkey was finalized during PM Erdogan's visit, with the Syrian consulate in Gaziantep set to open at an undisclosed time in 2005.

7.(SBU) Some local business contacts passed on that several SE Turkish trade delegation members also remarked wryly upon return from Damascus and Aleppo that the Gaziantep trade delegation also had used its time during the Syrian visit to persuade Erdogan to raise income thresholds for participation in Turkey's domestic regional industrial incentive program to include Gaziantep.

8.(SBU) Baghdad minimize considered.

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